



ARIZONA STATE RETIREMENT SYSTEM

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Paul Matson
Director

MINUTES OF A PUBLIC MEETING OF THE ARIZONA STATE RETIREMENT SYSTEM OPERATIONS AND AUDIT COMMITTEE

HELD ON
Tuesday, March 12, 2013
9:00 a.m., Arizona Time

The Operations and Audit Committee (OAC) of the Arizona State Retirement System (ASRS) met in public session in the 14th Floor Conference Room of the ASRS Office, 3300 North Central Avenue, Phoenix, Arizona 85012. Mr. Jeff Tyne, Chair, called the meeting to order at 9:17 a.m.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Jeff Tyne, Chair
Mr. Brian McNeil (via Teleconference)

Absent: Mr. Mike Smarik, Vice-Chair

A quorum of the Committee was present for the purpose of conducting business.

2. Approval of the September 27, 2012 Minutes of the Operations Committee (OC) Meeting

Motion: Mr. Brian McNeil moved the Committee accept the regular session and executive session minutes from the September 27, 2012 OC meeting. Mr. Jeff Tyne seconded the motion.

By a vote of 2 in favor, 0 opposed, 0 abstentions, and 1 excused, the motion was approved.

3. Presentation, Discussion and Appropriate Action Regarding ASRS Information Technology Strategic Initiatives Including Legislative Impacts

Mr. Guarino addressed the Committee regarding the various Information Technology (IT) strategic initiatives and gave a brief introduction to the topic as well as addressing the number of hours budgeted for initiatives. He then introduced Mr. Kent Smith, Assistant Director, Technology Services Division (TSD), who gave the Committee a more in-depth overview of the various projects being handled by TSD. Mr. Smith introduced Ms. Valerie Burkett, Project Manager, who discussed the progress report of TSD from January 1, 2012 to January 31, 2013,

including updates on enhancements to the agency website geared toward providing members and employers with more web offerings and more opportunities for self service; the development of automated workflows and tracking for manual processes, enhancements to internal business user applications, PERIS, and PERIS online; and the effects of current legislation on the strategic initiatives. She also informed the Committee of ongoing production support activities that had been completed or were in process.

4. Presentation, Discussion and Appropriate Action Regarding an ASRS Retiree Health Insurance Update

Mr. Guarino introduced Mr. Patrick Klein, Assistant Director, External Affairs Division, who addressed the Committee regarding three retiree health insurance topics: 1) offering a high-deductible plan, 2) health improvement strategies, and 3) the ASRS or the Arizona Department of Administration (ADOA) solely offering retiree health insurance. Mr. Klein also presented various charts and exhibits including comparisons of provisions and premiums between the ASRS and ADOA, ASRS medical plan membership statistics, and a list of preventative health services provided by the various retiree health plans. Mr. Klein introduced Mr. Dan Cadriel, Account Vice President, UnitedHealthcare, who spoke on various aspects of the current retiree health insurance plans including medical loss ratios.

Mr. Klein also discussed the Early Retiree Reinsurance Program, the Retrospective Rate Adjustment Agreement, and the Medical Loss Ratio Rebate, how these funds have been used, and how executive staff intends to utilize them in the future. Each of these provided potential additional money for the ASRS to offer such things as lower premiums, mitigating health benefit decreases, offering premium holidays, providing cash refunds, and other possible uses. Mr. Klein then presented a list of topics that would need to be addressed if the ASRS or ADOA offered a combined retiree health insurance program.

5. Review of Recently Conducted Audits

- **Toltec Elementary School District**

Mr. Glick presented the Committee with the audit of Toltec Elementary School District (District). There were three findings: 1) the District did not inform the ASRS that two retired members were no longer covered through the District's extended group medical insurance coverage program resulting in insurance premium assistance overpayments, 2) the District applied and remitted contributions on 11 employees' option to sell back accumulated leave and applied and remitted contributions on four employees' lump sum payment for accumulated leave upon termination of employment, and 3) the District did not request a refund for remitted contributions on three ineligible members. The amount due the ASRS is \$140.

6. Presentation, Discussion and Appropriate Action Regarding the 2013 OAC Calendar

Mr. Guarino presented the Committee with a proposed OAC calendar for 2013. Included were possible topics of discussion for the coming year including topics set out in the Agency's strategic goals and priorities. A discussion ensued regarding future topics. Mr. Guarino indicated the topic list for the year was fluid and encouraged additional input from the Committee members in the future.

7. Request for Future Agenda Items

Future agenda items were addressed during the discussion of the 2013 OAC Calendar.

8. Call to the Public

No members of the public addressed the Committee.

9. Adjournment of the OAC

Motion: Mr. Brian McNeil moved the Committee adjourn the March 12, 2013 OAC meeting. Mr. Jeff Tyne seconded the motion.

By a vote of 2 in favor, 0 opposed, 0 abstentions, and 1 excused, the motion was approved.

Mr. Tyne adjourned the meeting at 11:41 a.m.

Respectfully Submitted by,

Zachary Kucera
Committee Secretary

Date

Anthony Guarino Date
Deputy Director and Chief Operations Officer